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PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDF RUEHIK RUEHLH RUEHLN RUEHLZ  
RUEHPW RUEHROV RUEHVK RUEHYG  
DE RUEHAH #0285 0591409  
ZNR UUUUU ZZH  
P 281409Z FEB 08  
FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC PRIORITY 0344  
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY  
RUCNCIS/CIS COLLECTIVE PRIORITY  
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY  
RUEHAK/AMEMBASSY ANKARA PRIORITY 3435  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1253  
RUEHKO/AMEMBASSY TOKYO PRIORITY 1120  
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1689  
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RUEAIIA/CIA WASHDC PRIORITY  
RHEFDIA/DIA WASHDC PRIORITY  
RUEKJCS/JOINT STAFF WASHDC PRIORITY  
RHEHNSC/NSC WASHDC PRIORITY  
RUEKJCS/SECDEF WASHDC PRIORITY  
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY

UNCLAS ASHGABAT 000285

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SUBJECT: TURKMENISTAN: CITIZENS FEELING IMPACT OF INCREASED  
GASOLINE COST ON FOOD PRICES

REF: ASHGABAT 0226

1. (SBU) SUMMARY: Almost immediately following the eightfold increase in gasoline costs on February 11, meat and dairy product prices -- already increasing because of livestock losses due to the cold weather -- spiked by 20-50%. For now, the government is trying to stabilize meat prices by enforcing a price cap and supplying alternative, but lower-quality, meat at a price which is affordable to the population, but this measure will only work for a short time. Local observers believe that food prices will continue to increase further. END SUMMARY.

EFFECT OF THE INCREASED GASOLINE PRICE ON MEAT AND DAIRY PRICES

2. (SBU) The February 11 government-mandated gasoline price increase immediately created a spike in transportation costs and set off a 50% increase in the price of beef and lamb, and a 20 - 50% increase in dairy prices. (NOTE: 100% of beef and lamb meat and 60% of dairy products available in Ashgabat markets are produced in Turkmenistan. END NOTE.) On February 12, the day after the new price for gasoline was implemented, the price of beef and lamb in Ashgabat markets rose sharply from 50,000 manat to 75,000 manat (about \$2.50 to about \$3.75 at the commercial exchange rate) per kilogram. The price of cottage cheese increased from 20,000 manat to 30,000 manat (\$1 to \$1.50) per kilogram, yogurt and sour cream prices increased from 6,000 to 8,000 manat and from 15,000 to 17,000 manat respective for 200-gram containers. This follows several weeks of rising meat prices caused by substantial livestock losses due to this winter's long weeks of sub zero weather (reftel).

GOVERNMENT STRUGGLING TO KEEP MEAT PRICES STABLE

3. (SBU) While the authorities allowed dairy prices to rise due to market forces, they also actively responded to the increased meat price by setting a price cap of 39,000 manat per kilo for both beef and lamb. The Ministry of Trade, which controls prices at the food markets, unsuccessfully introduced this price cap a year ago. Although signs at meat stalls say that the price of meat is 39,000

manat per kilogram, vendors will not sell their meat at this price. If a buyer insists, he/she will receive a piece of poor-quality, bony meat supplemented with edible offal. The government is trying to stabilize meat prices by supplying alternative meat such as frozen "buffalo meat" (lower-quality beef scraps) blocks from India at 43,000 manat per kilogram, and U.S. chicken quarters at 37,000 manat per kilogram. While buffalo meat is not popular among Turkmenistan's residents, people are buying the U.S. chicken as an alternative to expensive beef and lamb.

#### TEMPORARY EFFECT OF OFFICIALLY-IMPOSED PREVENTIVE MEASURES

¶4. (SBU) Government efforts to stabilize meat prices do not appear to be effective. Local vendors appear to be selling products at a price that falls somewhere between the high price of 75,000 manat -- which no one can afford -- and the government-mandated price cap of 39,000 manat. On February 27, Ashgabat vendors were selling meat for 55,000 manat per kilogram.

¶5. (SBU) COMMENT: Local observers believe that meat and dairy prices will continue to rise due to the increased transportation costs and livestock losses during the winter, and there almost certainly are some who are taking advantage of this expectation to maximize their own profits. However, the higher gasoline prices are contributing to growing inflation at the markets, and the early increases will likely be followed by additional steep rises. Government efforts to hold down meat prices in the marketplace will be difficult to maintain, but supplying an alternative meat supply at prices the population can afford will help, as long as what is offered meets the population's quality expectations. END COMMENT.

HOAGLAND